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South Carolina

Division of General Services

# PROCUREMENT AUDIT AND CERTIFICATION

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MEDICAL UNIVERSITY OF SOUTH CAROLINA  
AGENCY

JANUARY 23, 1985  
DATE



STATE OF SOUTH CAROLINA  
**BUDGET AND CONTROL BOARD**  
DIVISION OF GENERAL SERVICES  
300 GERVAS STREET  
COLUMBIA, SOUTH CAROLINA 29201  
(803) 758-3150

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CHAIRMAN,  
HOUSE WAYS AND MEANS COMMITTEE

WILLIAM F. PUTMAN  
EXECUTIVE DIRECTOR

RICHARD W. KELLY  
ASSISTANT DIVISION DIRECTOR

January 23, 1985

Mr. Tony R. Ellis  
Director  
Division of General Services  
300 Gervais Street  
Columbia, South Carolina 29201

Dear Tony:

Attached is the final Medical University of South Carolina audit report and recommendations made by the Audit and Certification Section. I recommend the Budget and Control Board grant the Medical University one year certification as outlined in the audit report.

Sincerely,

Richard W. Kelly  
Director of Agency Services

RWK:kl  
Attachment

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RICHARD W. KELLY  
ASSISTANT DIVISION DIRECTOR

May 11, 1984

Mr. Richard W. Kelly  
Director of Agency Services  
Division of General Services  
Columbia, South Carolina

We have examined the procurement policies and procedures of the Medical University of South Carolina for the period December 1, 1981 - February 29, 1984. As part of our examination, we made a study and evaluation of the system of internal control over procurement transactions to the extent we considered necessary.

The purpose of such evaluation was to establish a basis for reliance upon the system of internal control to assure adherence to the Consolidated Procurement Code and State and Medical University procurement policy. Additionally, the evaluation was used in determining the nature, timing and extent of other auditing procedures that were necessary for developing a recommendation for certification above the \$2,500 limit.

The administration of the Medical University is responsible for establishing and maintaining a system of internal control over procurement transactions. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide



management with reasonable, but not absolute, assurance of the integrity of the procurement process, that affected assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and are recorded properly.

Because of inherent limitations in any system of internal control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the system of internal control over procurement transactions as well as our overall examination of procurement policies and procedures were conducted with due professional care. They would not, however, because of the nature of audit testing, necessarily disclose all weaknesses in the system.

The examination did disclose conditions enumerated in this report which should be corrected or improved in accordance with the provisions of South Carolina Code Section 11-35-1230(1).

Corrective action based on the recommendations described in these findings will in all material respects place the Medical University in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

*R. Voight Shealy*

R. Voight Shealy  
Director of Audit and Certification

## INTRODUCTION

The Audit and Certification Section conducted an examination of the internal procurement operating procedures and policies and related manual of the Medical University of South Carolina.

Our on-site review was conducted March 21, 1984 through May 11, 1984, and was made under the authority as described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Section 19-445.2020 of the accompanying regulations.

The examination was directed principally to determine whether, in all material respects, the procurement system's internal controls were adequate and the procurement procedures, as outlined in the Internal Procurement Operating Procedures Manual, were in compliance with the South Carolina Consolidated Procurement Code and its ensuing regulations.

Additionally, our work was directed toward assisting the agency in promoting the underlying purposes and policies of the Code as outlined in Section 11-35-20, which include:

- (1) to ensure the fair and equitable treatment of all persons who deal with the procurement system of this State;
- (2) to provide increased economy in state procurement activities and to maximize to the fullest extent practicable the purchasing values of funds of the State;



- (3) to provide safeguards for the maintenance of a procurement system of quality and integrity with clearly defined rules for ethical behavior on the part of all persons engaged in the public procurement process.

## SCOPE

Our examination encompassed a detailed analysis of the internal procurement operating procedures of the Medical University and the related policies and procedures manual to the extent we deemed necessary to formulate an opinion on the adequacy of the system to effect compliance with the requirements of the Procurement Code and ensuing regulations and to properly handle procurement transactions up to the certification limits previously granted.

The Audit and Certification team of the Materials Management Office statistically selected random samples of procurement transactions for the period December 1, 1981 - February 29, 1984, for compliance testing and performed other auditing procedures through May 11, 1984 that we considered necessary in the circumstances to formulate this opinion. As specified in the Consolidated Procurement Code and related regulations, our review of the system included, but was not limited to, the following areas:

- (1) adherence to provisions of the South Carolina Consolidated Procurement Code and ensuing regulations;
- (2) procurement staff and training;
- (3) adequate audit trails and purchase order register;
- (4) evidences of competition;



- (5) small purchase provisions and purchase order confirmations;
- (6) emergency and sole source procurements;
- (7) source selection;
- (8) file documentation of procurements;
- (9) reporting of Fiscal Accountability Act;
- (10) warehousing, inventory and disposition of surplus property;
- (11) economy and efficiency of the procurement process;
- (12) analysis of Energy Management.

At the date of this report, the state plan for the management and use of information technology has not been completed. Additionally, procedures for monitoring construction and related services procurements have not been finalized. Because of this, we feel it would be inappropriate to recommend certification in these areas at this time.

Our examination included a review of these areas so that once the aforementioned plans and procedures are completed we will be able to make recommendations for certification with only a limited follow-up review.

## SUMMARY OF AUDIT FINDINGS

Our audit of the procurement system of the Medical University of South Carolina produced findings and recommendations in the following areas:

I.	<u>Compliance - Goods and Services</u>	<u>Page</u>
A.	Pharmaceutical Purchases -	9
	Our examination revealed a number of procurements without evidence of competition.	
B.	Pharmaceutical Contract -	12
	Budget and Control Board approval was not obtained on this cost-plus-a-percentage-of-cost contract as described in Section 11-35-2010 of the Procurement Code	
II.	<u>Compliance - Consultant and Contractual Services</u>	13
	Contractual Services Procurements were made without evidence of competition nor documented as Sole Sources.	
III.	<u>Compliance - Information Technology</u>	18
	Several procurements were not made in compliance with the Procurement Code.	



IV.	<u>Emergency Procurements</u>	<u>Page</u>
	Purchases were declared as emergencies to avoid competitive bidding procedures.	21
V.	<u>Planning and Scheduling Acquisitions</u>	27
	Orders can be consolidated to increase economy.	
VI.	<u>Energy Audit</u>	28
	We requested the Division of General Services Engineering and Energy Management Coordinator to analyze the Medical University's energy management program.	

## RESULTS OF EXAMINATION

### I. Compliance - Goods and Services

#### A. Pharmaceutical Purchases

Our examination of transactions in the pharmacy area revealed that a number of procurements were made without evidence of competition. The following exceptions were noted:

<u>Purchase Order</u>	<u>Amount</u>
221530	2,670.03
212099	1,827.50
251013	1,986.80
259585	640.92
259677	1,096.16
270505	536.36

Evidence of competition as required by Regulations 19-445.2100 (Small Purchase Procedure), 19-445.2030 (Sealed Bidding Procedures), 19-445.2105 (Sole Source), and 19-445.2110 (Emergency Procedures) must be documented for each purchase.

We realize that the decision requiring the Medical University to withdraw from the Carolina Affiliated Purchasing Programs, a cooperative buying group, coupled with the recent attempt by State Procurement to establish a statewide pharmaceutical contract had placed the pharmacy buyer in a delicate position. Obviously, as a critical care hospital, pharmaceuticals must continue to be purchased to meet patient needs while agency term contracts are being established. Currently only one large pharmaceutical contract is in effect and it accounts for approximately 30% of pharmacy needs.



The pharmacy buyer utilizes quoted "offer" prices from vendors to fill requirements, apparently attempting to secure the lowest possible prices through the comparison of these offers. A purchase order is then issued regardless of the dollar limit.

This method is not in compliance with the Consolidated Procurement Code and its Permanent Regulations and, therefore, we recommend implementation of the following:

1. Familiarize the pharmacy buyer with the competitive procedures required by the Code and Regulations.
2. Require the pharmacy buyer to document in accordance with the Small Purchase Procedures of the Code the competitive prices that are obtained when comparing the different quoted "offer" prices for purchases less than \$2,500.00. For purchases in excess of \$2,500.00, an Invitation for Bids (I.F.B.) must be prepared. Sole Source or Emergency determinations should be written when Invitation for Bids are not appropriate.
3. Continue to establish as many term contracts as necessary to facilitate pharmaceutical purchasing.
4. Procurement management must exercise its authority to monitor, direct, and control procurements made by the pharmacy buyer to insure the documentation required by the Code and Regulations.

#### AGENCY RESPONSE

Procurement authority to purchase pharmaceuticals was delegated to Medical University Hospital Pharmacy in lieu of hiring additional procurement officer(s). This was done primarily because of the complexity of the commodity and the existence of expertise within the Pharmacy to manage the transactions and with the understanding that Procurement would monitor the purchases.

As we have discussed, the responsible pharmacist used a system to document competition which is now determined to be non-compliant with the Code, i.e., quotations are kept on file rather than attached to the requisition.

The decision has been made to rescind the delegated procurement authority as soon as a pharmaceutical procurement officer can be recruited and begin employment. This procurement officer will be responsible to the Director of Procurement, and will ensure that all pharmaceutical purchases are in compliance with Code and Regulations.

Furthermore, the new chairmen of the Department of Clinical and Institutional Pharmacy and the Director of Procurement have agreed to pursue a course of action which will result in a competitively determined primary pharmaceutical contractor.

B. Pharmaceutical Contract

The Medical University currently has a large volume contract with a pharmaceutical wholesaler. This contract was established as a cost-plus-a-percentage-of-cost agreement.

We found that the contract was never approved by the Budget and Control Board as required by Section 11-35-2010 of the Procurement Code.

We recommend the Medical University seek after the fact approval of this agreement from the Budget and Control Board immediately.

AGENCY RESPONSE

The Request for Proposal for a primary pharmaceutical wholesaler for MUSC and resulting contract were discussed on several occasions with the State Materials Management Officer and the Director of State Procurement. The failure to obtain State Budget and Control Board approval was an oversight and not an attempt to avoid the requirements of the South Carolina Consolidated Procurement Code. MUSC will seek Budget and Control Board approval after-the-fact.

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SUMMARY

In our sample of sixty (60) transactions in the goods and services area, seven errors were found. Six of the violations



resulted from the pharmacy buyer not documenting the quotes from price lists. The other violation resulted from the pharmaceutical contract not having Budget and Control Board approval.

Based on the sampling parameters used, the percentage of these type errors in the population can be statistically projected, with 95% confidence, to be up to 20% of all procurements in the goods and services area. We, therefore, recommend that attention be directed to these compliance violations and that the procurement management function develop sound practices to remedy these issues.

#### AGENCY RESPONSE

With the addition of a pharmaceutical procurement officer, the organizational re-alignment of pharmaceutical procurement responsibilities, and the required periodic review of procurement code/regulations for all MUSC procurement officers, MUSC procurement management feels the issues discussed will be remedied and future incidents of non-compliance avoided.

## II. Compliance - Consultant and Contractual Services

Our examination of the consultant and contractual services area revealed that a number of procurements were not in compliance with either the Medical University Internal

Procurement Procedure Manual or the Consolidated Procurement Code. The following exceptions were noted:

A. Section 1.28 of the Medical University Internal Procurement Procedures Manual states that requisitions must be forwarded to the purchasing office prior to the performance of the service.

1. Purchase order number 245052, dated November 1, 1982 for \$625.00, had the requisition dated October 12, 1982. The statement of services was dated October 11, 1982.
2. Purchase order number 221103, dated April 6, 1982 for \$5,000.00 had the requisition dated January 4, 1982. This covered services started in August, 1981.
3. Purchasing requisition number 58912 was dated April 16, 1982 for services in the amount of \$2,666.67. Services were started in December, 1981.

The purchasing department should continue to work with the requesting departments to insure that consultant services are not contracted for prior to an authorized purchase order being issued by the purchasing office. Unauthorized purchases must be ratified by the University's president and of this date they have not.

#### AGENCY RESPONSE

All university departments have been instructed on the requirements of revised procedures governing the use of contractual services, as well as consultants. The revised

procedures will require that requisitions for contractual services must be received by Procurement in advance of the commencement of services. Also, requisitions for contractual services costing \$500 or more must be accompanied by a two-party written agreement which must be approved by the Vice President for Finance or the Director of Procurement.

All unauthorized transactions cited in the audit have been submitted to the President for ratification in compliance with the Code and Regulations, and University personnel have been reminded of the seriousness of unauthorized purchases.

B. Purchase order number 27517 in the amount of \$1,233.33 for a behavioral science program was procured under the Code exemption stating "Instructional training seminars offered by governmental bodies to state employees on a registration fee basis." This consultant service was limited to students and not state employees and should have been bid or a sole source determination prepared. Purchasing should study the exemption list and make a concerted effort to properly classify consultant services.

#### AGENCY RESPONSE

The misclassification of the transaction was made by a procurement officer no longer employed at the Medical University



of South Carolina. His successor and all other procurement officers have been instructed in the proper use of exemptions, and the list of exemptions will be included in Procurement's Internal Procedures Manual.

C. Our examination did not disclose any evidence of competition or sole source determinations on the below listed transactions.

<u>Purchase Order Number</u>	<u>Amount</u>
260750	\$1,714.10
282865	1,040.00
249124	1,800.00
244825	800.00

Purchasing must either bid the services or prepare a sole source determination, whichever is applicable. Ratification by the University's president is also applicable in these cases.

#### AGENCY RESPONSE

The improper handling of the four transactions cited in the audit will be prevented in the future by the revised procedure for purchasing contractual services of \$500 or more (see previous response), and the proper determinations will be made and filed accordingly. These transactions are being submitted to the President for ratification.

D. Other procurements for consulting services were incorrectly justified as "Professional Services are exempt from competition".

<u>Purchase Order Number</u>	<u>Amount</u>
238007	\$ 1,830.00
227328	1,800.00
245052	625.00
238052	19,900.00

There is no such exemption as "Professional Services are exempt from competition." Purchasing should familiarize itself with the exemption list and use only exemptions contained therein.

#### AGENCY RESPONSE

"Professional Services are exempt from competition" was an early interpretation of the Code made by a procurement officer not employed at the Medical University of South Carolina since March, 1983. The interpretation has not been used since her departure.

The current contractual services buyer is aware of this improper interpretation and does not utilize it. The exemption list will be included in our internal procedures manual.

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## SUMMARY

Our sample of items in consultants was judgementally selected with emphasis placed on management consultants. Thirty-two transactions were selected and nine code compliance violations were found, generating an actual error rate of 28%.

### III. Compliance - Information Technology

Our examination of information technology transactions revealed the following Procurement Code violations:

<u>Item</u>	<u>Purchase Order Number</u>	<u>Amount</u>
1	273516	\$11,013.09
2	264024	608.40
3	248988	5,312.00

Item number one exceeds the Medical University's certification limit of \$10,000.00 and should have been submitted to the Division of General Services for procurement.

Competition was not solicited for item number two, as required by Section 19-445.2150, Subsection F, Item 1 of the Regulations.

Item number three was procured from the state contract vendor, but approval was not obtained from the Information Technology Planning Office. Further, the procurement was made directly from the vendor rather than through the Materials Management Office, as the term contract requires. Twenty-five



additional Information Technology purchases which total \$558,173.16 have been made by the Medical University without the written approval of Information Resource Management. The Medical University discovered its error and was requesting retroactive approval during our audit visit.

Based on these three Procurement Code exceptions listed above, we can statistically project with 95% confidence that up to 14% of the transactions in the area of Information Technology may be out of compliance with the Procurement Code.

Finally, during our review of the Information Technology area, we noted three instances where University policy covering procurement authority was not complied with. Item two above, P.O. 264024, was an unauthorized procurement that was not ratified by the agency head in accordance with Section 19-445.2015 of the Regulations. This was evidenced by the dates of supporting documents which indicate the equipment was received and a requisition was prepared on June 22, 1983, with a purchase order being prepared on June 29, 1983. A second instance (purchase order number 220894, voucher number 42379) revealed that the invoice was dated August 28, 1981, a requisition was prepared September 24, 1981 with a purchase order being prepared March 4, 1982. This was later ratified by the Materials Management Office as required, but it still resulted in a late payment to the vendor. Thirdly, a license agreement for computer software, purchase order number 221145, was renewed and paid on voucher number 51395. The invoice was dated January 1, 1982 and

a late payment notice was received from the vendor dated March 15, 1982. A requisition was prepared by the department on April 1, 1982 with a purchase order authorizing the renewal on April 14, 1982. These actions resulted in a late payment being processed. This was a renewal of an existing agreement but University policy requires that renewals be authorized by the purchasing office.

We insist that action be taken to comply with all aspects of the Consolidated Procurement Code and related legislation, rules and regulations. University departments must be reminded of Medical University procurement policy disallowing procurements not authorized by the purchasing office.

#### AGENCY RESPONSE

All procurement officers have been instructed to bring all bids which exceed certification limits to the attention of the Director of Procurement who will contact the Materials Management Officer and follow his direction on the transaction.

Our current Information Technology procurement officer is well versed in approval and competitive requirements, as well as state contract procedures.

All procurement officers have been instructed to forward all requisitions which may be unauthorized purchases to the Director of Procurement. All university departments have been instructed on proper procedures and, specifically, on how to avoid unauthorized purchases. These procedures are included in Procurement's Internal and External Procedures Manuals.

#### IV. Emergency Procurements

We examined the quarterly reports of emergency procurements and all available supporting documents for the period July 1, 1983 through March 31, 1984 for the purpose of determining the appropriateness of the procurement actions taken and the accuracy of the reports submitted to the Division of General Services as required by Section 11-35-2440 of the Consolidated Procurement Code.

This examination of the quarterly reports led us to perform a special review of the emergency procurements for paper and cleaning supplies by Central Stores in the current fiscal year.

We found the following facts which cast doubt as to any intent by the Medical University to comply with the Procurement Code regarding these emergency procurements. Twenty-two orders totaling \$95,793.11 were purchased through Central Stores for paper and cleaning supplies from 7/1/83 - 4/30/84. All of the orders were confirming orders and were to the same local vendor. All of the orders were declared emergencies and no competition was obtained on any of the orders.

Further, only three of these purchases were reported to the Materials Management Office. Consequently, the quarterly reports for emergencies were understated by \$76,779.78.

Regulation 19-445.2110 Subsection B states in part "an emergency condition is a situation which creates a threat to public health, welfare or safety such as may arise by reason of



flood, epidemics, riots, equipment failure, fire loss ..." Poor planning and scheduling does not justify the systematic emergency procurement of paper and cleaning supplies.

In April 1983, a paper and plastic product and cleaning supplies bid was prepared by the Medical University but was never issued. It was forwarded to State Procurement for bidding but after some discussion between both parties, the bid was returned to the Medical University. In July 1983, State Procurement instructed the Medical University to bid the supplies until the problems with the bids could be resolved. At this point, the Medical University commenced the emergency purchase routine and the competitive procurement process for these items has been suspended ever since.

We insist that the Medical University immediately secure a contract for these items through State Procurement or bid these items within the agency certification limits. A review of last years usage figures should reveal the required approximate yearly quantities for bidding purposes. We further recommend the following:

1. In all emergency procurements, care be taken to fully explain both the basis for the emergency and the basis for the selection of the particular supplier.
2. Sufficient planning be performed by Central Stores to minimize the potential for emergency situations arising. If emergency buys must be made to restock the warehouse, they should be limited to the amount necessary to alleviate the emergency.

3. In all emergencies, as much competition as is possible at the time should be sought and documented.

#### AGENCY RESPONSE

In preparing our response, it's clear two issues are involved:

1. Apparent abuse of Emergencies.
2. Failure to report Emergencies to the Materials Management Office.

To address use of Emergencies, it is necessary to provide some background information on Stores development and changing status of stock items dating to July, 1982.

#### July 1982

As of July, 1982, there were approximately (all figures referred to are estimates) 1,800 line items in inventory. Seventy-five percent (1,350) were medical-surgical and related patient care products; 25% were office (most covered on state contract), paper (90% patient related forms), cleaning, janitorial and miscellaneous supplies. Only 3.5% of these items were on contract.

In addition to the 1,800 items in Stores and 4,000 items in Central Supply, (all medical-surgical/patient care products), the commodity team handled all maintenance and service contracts, repair services, as well as all other departments ordering non-stock medical products. Our initial goal was to address the stock items with the highest volume and priority: medical-surgical and patient care related products.

The accomplishments are shown below:

Schedule of Stock Items Under Contract

August	-	5.5%
September	-	15%
October	-	27%
November	-	40%
December	-	54%

February 1983

The buyers and Central Stores personnel began to put together the paper, cleaning and janitorial supplies bid package that was sent to State Procurement in April, 1983.

The figures sent were projected annual quantities, and State Procurement had problems using these figures for bid. The State buyer wanted monthly order quantities. We explained the problems we had with this as we were going on the automated Inventory Purchasing System (IPS) and were still collecting baseline figures. (We had only been gathering this information since July, 1982, and thus the projected annual figures.) Since many of the products were patient care related and would need to undergo evaluation, he said handle it here and he would follow-up in writing.

June 1983

Subsequently, the package was sent back to us in June, 1983; however, we never received written verification for us to proceed with the bidding of these items.

August 1983

Without verification, we resubmitted the package to State again with estimated monthly order quantities for each item.



September 1983

We received a reply stating that these products had to be broken down to include only one class of commodity per single requisition. The personnel situation here, in the meantime, had changed with the three principals directly involved with the package: one resigned, one moved out of medical products, and we had to replace the Stores Manager, who moved to the medical products buyer's slot (in May 1983, the commodity was reconstructed to include a medical products buyer in Central Stores to facilitate clearing the situation up). The IPS was also a priority at this particular time at Stores, as was year-end closeout. The bid package was held up pending the new personnel training. Meanwhile, the percentage of medical products on contract had risen to 70%.

Late 1983, Early 1984

The items in question in the audit continued to be ordered on an emergency basis to ensure adequate patient care (public health) while plans were formulated to address the items competitively. One obstacle we had to overcome in our efforts to establish contracts and determinations (to eliminate emergencies) is the present structure of the Product Evaluation Committee. The present Products Committee is charged with reviewing all products for use of MUH to determine acceptability. This is not limited to medical-surgical products, but also related patient care products. Some of these are classified as janitorial, cleaning, and paper supplies by State. Included in these

categories are: ivory liquid, staphene, vesphene H, toilet soap, cidex, bleach, germicidal cleaner, vapaseptic spray, detergent, batteries (for use in pacemakers), hot and cold cups, barrium cups, souffle cups, personal cloth wipes, and benizine chloride to name a few.

In summary, the present status of Stores inventory for medical-surgical and patient care products on contract reaches upward of 90+% (out of 2,600 line items, a dramatic increase since July, 1982). As well, all products on the orders referred to in the audit have been bid. Upon evaluation of bid results, contracts will be awarded. This will virtually eliminate all emergency orders from Central Stores.

#### Failure to Report Emergency Purchases

The failure to report the emergency orders occurred due to the Central Stores purchasing clerk's failure to submit quarterly reports of emergency purchases to our operations manager who is responsible for compiling all such reports for the Materials Management Office. The resignation of the operations manager in November, 1983, and delayed replacement contributed to this error.

Necessary procedural changes in conjunction with our automated financial system currently being implemented will prohibit this type of error in the future. We will submit revised quarterly emergency reports for the periods involved.

## V. Planning and Scheduling Acquisitions

One of the major functions of Central Stores is to stock and maintain for immediate delivery janitorial cleaning supplies and paper products. One user is the Environmental Services group which draws heavily from these stocks. However, during our review we found a number of items that were being consistently purchased for Environmental Services directly from local vendors. In our opinion these supplies are being purchased in sufficient quantities to warrant a closer look at the procurement method being utilized.

A review of non-stock janitorial orders for the past ten months revealed the following repetitive orders:

<u>Item</u>	<u>Number Orders</u>	<u>Quantities (Cs.)</u>	<u>Amount</u>
Eliminator Bags	42	1,300	\$12,200.00
Bowl Cleaner	31	110	2,450.00
Shur-Wipes	30	330	9,570.00
Can Liners	24	305	3,592.00

Central Stores was established to consolidate purchases of commonly used items to increase economy and efficiency in the procurement process. Generally, it is more economical to purchase high-usage items, warehouse them, and fill small orders from the warehouse stock rather than making small purchases of the same items.

It is the responsibility of the buyers to notify Central Stores of any frequently reoccurring supply needs that would make a good candidate for a bulk buy.



We recommend that a review of the past year's non-stock janitorial purchases be made by appropriate purchasing personnel to determine if any items are worthy of being stocked in Central Stores. The Medical University should forward their request to State Procurement or issue term contracts within their certification limits for supplies to be stocked in Central Stores.

#### AGENCY RESPONSE

Most of the needs of the Environmental Services Department are met with statewide contracts. These items are not stocked in Central Stores because the department can make weekly orders which meet the requirements of the contract at the same price Central Stores can order these goods for, thereby avoiding the mark-up imposed on stock items.

Needs not met by state contract are added to inventory routinely as contracts are awarded.

All procurement officers have been reminded of their responsibility to constantly review their commodities and recommend candidates for stocking in Central Stores inventory.

#### VI. Energy Audit

As part of our audit, we requested the Division of General Services' Engineering and Energy Management Coordinator to

analyze the Medical University's energy management program for the purpose of identifying potential for improving energy efficiency and recommending alternatives and/or corrective action. This analysis was performed not to criticize the Medical University but for the purpose of providing assistance in this area of cost avoidance.

The university has 66 accounts with SCE&G, 39 are electric and 27 are gas, with one located in Beaufort.

The usage on most of these accounts seems appropriate for the activity. However, some conservation opportunities may exist. These opportunities have been discussed with physical plant personnel. Since these personnel are more familiar with the operational needs of the university, they should evaluate the usage.

Also, we have discussed the following two with Mr. Bob Wilcox at MUSC and he has assured me that they will be re-evaluated.

- |                  |                    |
|------------------|--------------------|
| 1. 2090987000901 | Alumni House       |
| 2. 2090987001352 | 295 Calhoun Street |

These accounts are presently on rate 20 and the pattern of usage varies. On this rate, the variation causes an abnormally high bill (dollars) during periods of low usage (KWH).

This problem can be approached several ways.

1. Relief may be possible on a different rate
2. Usage patterns could possibly be changed (controlled)

Some accounts are on a residential rate (8) for electricity and (32) for gas. The conservation office was not familiar with

these accounts or their use. However, it appears that the current rate may not be appropriate for the use.

We explored the possible use of rate 28 (interruptible) with the conservation officer. Although interruptible rates have been evaluated in past, it appears now that rate 28 may now have some potential for savings.

Apparently no one accompanies the meter readers each month. The university is denying themselves an opportunity to detect meter reading errors and a possibility for overcharges exists.

According to physical plant personnel the university is presently paying a sewer charge on all water metered to the university. This may not be appropriate since some of the water metered to the university does not terminate in the sewer system. (i.e., irrigation and air conditioner condenser water). The city may be willing to adjust the bills so affected.



## CERTIFICATION RECOMMENDATIONS

As enumerated in our transmittal letter corrective action based on the recommendations described in the findings contained in the body of this report, we believe, will in all material respects place the Medical University in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

Under the authority described in Section 11-35-1210 of the Procurement Code, subject to this corrective action, we recommend the Medical University be re-certified to make direct agency procurements up to the limits as follows:

### RECOMMENDED CERTIFICATION LIMITS

#### I. GOODS AND SERVICES

##### A. Term Contracts Only

Certification is recommended for MUSC to enter into term contracts up to one year in length from which the total dollar value of procurements would not exceed the indicated dollar limits for the below named commodities. Only one such contract per vendor would be permissible.

1. Chemical/reagents, injectables, prescription drugs and all other commodities defined in the CSP Commodity Code Manual

under #115 - Biochemical Research and  
#270 - Drugs, Pharmaceuticals, Biologi-  
cals - Human Use, initially approved by  
MUSC's Products Evaluation Committee \$1,000,000

2. Medical Supply items and all other com-  
modities defined in the CSP Commodity Code  
Manual under #475 - Hospital Sundries,  
initially approved by MUSC's Products  
Evaluation Committee. \$500,000

B. Technical, medical and laboratory equipment  
and all other commodities defined in the  
CSP Commodity Code Manual under #465 - Hos-  
pital Equipment and #490 Laboratory Equip- \$50,000, per  
ment and accessories. purchase  
commitment

C. All other goods and services procurements. \$10,000, per  
purchase  
commitment

## II. CONSULTANT CONTRACTS

Not to exceed \$10,000 to one person or \$10,000, per  
firm within a 12 month period. purchase  
commitment

Certification recommendations in the areas of information  
technology and construction are being deferred until completion of  
statewide procedures in these procurement areas.



Marshall B. Williams, Jr.  
Audit Manager

STATE OF SOUTH CAROLINA  
**BUDGET AND CONTROL BOARD**  
DIVISION OF GENERAL SERVICES  
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ASSISTANT DIVISION DIRECTOR

January 22, 1985

Mr. Richard W. Kelly  
Director of Agency Services  
Division of General Services  
300 Gervais Street  
Columbia, South Carolina 29201

Dear Mr. Kelly:

We have returned to the Medical University to determine the progress made toward implementing the recommendations in our audit report covering the period December 1, 1981 - February 29, 1984. During our visit, we followed up on each recommendation made in the audit report through inquiry, observation and limited testing.

The Audit and Certification Section observed that the Medical University has made progress toward correcting the problem areas found and improving the internal controls over the procurement system. However, we are concerned about the extent of audit findings presented in the report.

We, therefore, recommend that the certification limits for the Medical University, as outlined in the audit report, be granted for a period of one (1) year.

Sincerely,

A handwritten signature in cursive script that reads "R. Voight Shealy".

R. Voight Shealy  
Director of Audit and Certification

RVS:kl



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